

**ADVOCATES FOR THE WEST
ARIZONA PUBLIC INTEREST RESEARCH GROUP
BLACK MESA TRUST
COALITION FOR CLEAN AFFORDABLE ENERGY (1)
COLORADO RENEWABLE ENERGY SOCIETY
ENVIRONMENT COLORADO
FRIENDS OF NEVADA WILDERNESS
GRAND CANYON TRUST
IDAHO CONSERVATION LEAGUE
MONTANA ENVIRONMENTAL INFORMATION CENTER
PROGRESSIVE LEADERSHIP ALLIANCE OF NEVADA
PUBLIC RESOURCE ASSOCIATES
ROCKY MOUNTAIN OFFICE OF ENVIRONMENTAL DEFENSE
SAN JUAN CITIZENS ALLIANCE
SEVIER CITIZENS FOR CLEAN AIR & WATER
SOUTHWEST RESEARCH AND INFORMATION CENTER
TOIYABE CHAPTER OF THE SIERRA CLUB
UTAH CHAPTER OF THE SIERRA CLUB
WASATCH CLEAN AIR COALITION
WESTERN RESOURCE ADVOCATES
WYOMING CONSERVATION VOTERS EDUCATION FUND
WYOMING OUTDOOR COUNCIL**

November 16, 2005

Via electronic mail

Eileen Wenger Tutt
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Re: Comments on the California Climate Action Team's Implementation of
Governor Schwarzenegger's Executive Order S-3-05

Dear Ms. Tutt:

The above-listed organizations are located in the Interior West states of Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, and Idaho. The purpose of this letter is to comment on the California Climate Action Team's implementation of Governor

1 Coalition for Clean Affordable Energy consists of the following groups: New Mexico Citizens for Clean Air and Water, New Mexico Public Interest Research Group, New Mexico Solar Energy Association, New Mexico League of Women Voters, Southwest Energy Efficiency Project, Southwest Research and Information Center, Natural Resources Defense Council, Western Resource Advocates, Rio Grande Chapter of the Sierra Club, Community Action New Mexico, and New Mexico Physicians for Social Responsibility.

Schwarzenegger's Executive Order S-3-05 as it relates to California's current and future reliance on coal-fired electrical generation produced in these states.

Governor Schwarzenegger's Executive Order S-3-05

As an initial matter, we would like to extend our sincere appreciation to Governor Schwarzenegger for his leadership role among Western Governors in confronting global climate change. We fully support the greenhouse gas emissions reduction targets established by his June 1, 2005 Executive Order No. S-3-05. We appreciate the work of the Secretary of the California Environmental Protection Agency to reach out to the public and affected stakeholders to solicit input in implementing the Executive Order through the work of the California Climate Action Team.

Scope of Greenhouse Gas Emissions Reduction Targets

Our foremost concern is that the scope of the greenhouse gas emissions reduction targets must be defined to include greenhouse gas emissions from out-of-state power plants. The Climate Action Team's Cap and Trade Subgroup recognized the significance of this issue in its October 2005 discussion draft of the *Cap and Trade Program Design Options Overview* when it posed the following question for comment:

If the scope of the emissions cap is defined as in-state electric power generating facilities without also covering imported electricity in some manner, there will be an incentive to import more electricity in the future to avoid the emissions cap. Is this incentive to avoid the cap by importing electricity significant enough to make this option (in-state electric power generation only) a poor choice?

The answer is an emphatic "Yes!" The incentive to avoid the cap by importing electricity is significant enough to make an "in-state electric power generation only" option a poor choice. It should be rejected. As the report itself acknowledges, "a program with this scope would provide an incentive to build new power plants in other states, and to import the power in order to avoid the in-state emissions limit. The result is called 'leakage' in that emissions 'leak out' from under the cap, in this case into neighboring states." Draft Report, at p.6. As citizens groups based in the neighboring states that would bear the adverse consequences of such leakage – both in terms of the climate change impacts and the other pollution and water use impacts of fossil-fueled electricity generation – we strongly urge against limiting the scope of the emissions reduction targets to include in-state generators only. Rather, the scope of the program should be defined to include emissions from both in-state and out-of-state generation, as well as existing and new facilities.

We also recommend that the scope be defined to include all load-serving entities and not be limited to the investor-owned utilities. Public power entities in California currently have significant stakes in coal-fired generation in the Interior West, including most notably a 75 percent share of the output of the 1,800 MW Intermountain Power Project (IPP) in Delta, Utah. California public power entities also have ownership interests in the Four Corners and San Juan plants in New Mexico, the Mojave and Reid Gardner generating stations in Nevada, and the Navajo Generating Station in Arizona. While we applaud the recent decision by Los Angeles not to participate in the proposed development of a third generating unit at IPP, we

believe it is important that California's public power entities continue to address the greenhouse gas emission impacts of their shares of the existing IPP units and other power imports from the Interior West.

The Interior West faces significant projected impacts from global warming, such as reduced snow pack, reduced water resources, reduced energy resources, harm to wildlife and ecosystems, and negative impacts to virtually all sectors of the economy, including agriculture, tourism, and recreation. In fact, the Interior West is already experiencing the predicted effects of climate change – such as reduced snow pack, less reliable precipitation, and earlier snowmelt. These changes create an increased strain on already tight water supplies and threaten alpine ecosystems.

California's current and future energy choices have tremendous implications for greenhouse gas emissions in the Interior West. As the Cap and Trade Subgroup's draft report notes at p.6, depending on the year, up to 30 percent of the power consumed by California comes from out-of-state generating facilities. California entities currently have ownership interests in existing out-of-state coal projects totaling 4,582 MW, with estimated annual CO₂ emissions of 34 million tons per year. Once all coal-fired power imports into California are considered – in addition to California's direct ownership interests in coal-fired generation facilities – the total CO₂ emissions level for coal-fired generation serving California is an estimated 67 million tons per year.

Moreover, more than 20 proposals for new conventional coal-fired power plants, corresponding to nearly 14,000 MW of new coal-fired generating capacity, are in various stages of development in the Interior West. Of that, we conservatively estimate that at least 5,500 MW are being developed specifically in anticipation of serving California electricity markets. If built, the 5,500 MW of new conventional coal-fired power plants would emit approximately 40 million tons of CO₂ per year.

In addition to the climate change impacts, coal-fired generation built to serve California electricity demand has significant public health and environmental impacts in the West. Existing coal-fired electricity generation in the West to serve California (including both California's ownership shares of out-of-state coal plants and other coal power imports) results in an estimated 107,000 tons per year of sulfur dioxide emissions, 125,000 tons per year of nitrous oxide emissions, and 2,100 pounds per year of mercury emissions. Trends analyses show increasing ozone and haze pollution across the Interior West, including in national parks and wilderness areas. Ozone is formed by the emission of volatile organic compounds and nitrogen oxides from coal-fired power plants and other sources. Elevated ozone concentrations cause a suite of adverse health effects including decreased lung function and exacerbated asthma. Data from western national parks and wilderness areas also show deteriorating visibility conditions across the region. This visibility impairment diminishes our enjoyment of the great vistas of the West. In addition, coal-fired power plants are the single largest source of human-produced mercury emissions in the country, discharging roughly 40 percent of total emissions. Methylmercury bioaccumulates in fish, posing a health risk to people who eat the fish. Mercury contamination is responsible for the vast majority of fish consumption advisories in the Interior West. Coal-fired generation also uses substantial quantities of the Interior West's precious water resources and degrades stream habitats, with existing plants serving the entire Western market consuming an estimated 335 million gallons of water per day.

Greenhouse Gas Performance Standard

We recommend that the Climate Action Team support adoption of a greenhouse gas performance standard to be applied to all utility procurement—both in-state and out-of-state—as a necessary complement to the cap and trade program. This GHG performance standard must apply to all electric generating technologies and fuels. We strongly support the California Energy Commission’s proposal that the greenhouse gas performance standard be set at or below the emission levels achieved by a new state-of-the-art combined-cycle natural gas turbine. In the case of coal-fired generation, the capacity to capture and store carbon dioxide safely and inexpensively is necessary to meeting the standard. We recommend that generators not be allowed to offset their greenhouse gas emissions in complying with such a standard at least until the adoption of well-designed, rigorous caps on greenhouse gases. Durable offsets would be almost impossible to create, track and monitor in the absence of binding limits and clear implementation rules, and would greatly reduce the proposed GHG performance standard’s impact on spurring technology innovation for any new coal plants built in the region. Additionally, we urge that the GHG Performance Standard explicitly include municipal energy services providers as well as investor-owned utilities.

Thank you for considering our comments. We request that the Secretary of the California Environmental Protection Agency and other participants on the California Climate Action Team include our recommendations in developing their implementation strategies for the Governor’s Executive Order No. S-3-05, including the Cap and Trade Subgroup’s *Cap and Trade Program Design Options Overview* and the Climate Action Team’s consideration of implementation options set forth in Table 3.

Respectfully,

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